

BEFORE THE IDAHO BOARD OF TAX APPEALS

IN THE MATTER OF THE APPEAL OF BURROUGHS)	APPEAL NO. 07-A-2590
FAMILY, LP from the decision of the Board of)	
Equalization of Valley County for tax year 2007.)	FINAL DECISION
)	AND ORDER

RESIDENTIAL PROPERTY APPEAL

THIS MATTER came on for hearing February 27, 2008 in Cascade, Idaho before Hearing Officer Travis VanLith. Board Members Lyle R. Cobbs , David E. Kinghorn and Linda S. Pike participated in this decision. General Partner A. H. Burroughs appeared at hearing for Appellant. Assessor Karen Campbell appeared for Respondent Valley County. This appeal is taken from a decision of the Valley County Board of Equalization modifying the protest of the valuation for taxing purposes of property described as Parcel No. RP00327000013AA.

The issue on appeal is the market value of a lakefront residential property.

The decision of the Valley County Board of Equalization is modified.

FINDINGS OF FACT

The assessed land value is \$3,175,970, and the improvements' value is \$685,360, totaling \$3,861,330. Appellant requests the land value be reduced to \$2,580,000, and the improvements' value be reduced to \$575,000, totaling \$3,155,000.

The subject property is 1.892 acres with 216 feet of lake frontage, improved with two (2) cabins, utility sheds, and a boat dock. The main cabin was built in 1977 and is 3,390 square feet in size. The guest house was originally built in 1945, but was torn down and rebuilt in 2002. It has 1,102 square feet. Subject is located in McCall, Idaho in one of the older subdivisions around Payette Lake.

Appellant contended the method used by the Assessor to value lakefront sites was not market oriented. Two (2) charts were presented from Integra Realty Resources in Boise to

substantiate this claim. The first chart, Exhibit No. 1, demonstrated the method employed by the Assessor. Exhibit No. 2 demonstrated Appellant's preferred method in which the adjusted improvement value was derived from the market. Exhibit No. 2 included a time adjustment through the middle of 2006 when the market purportedly peaked.

A graph at the bottom of Exhibits 1 and 2 demonstrated the correlation between price per front foot (land residual value) and lot size with a trend line.

Appellant discussed negative factors associated with the subject property. First, the hillside location is very steep, with a 3 to 1 slope. There is a 90-foot change in elevation from the lake level to the hill top, over a distance of 250 feet. There is a 20% increase in elevation from the lake to the middle of the cabin. Six months out of the year, the only access to the residences is by snowmobile. Additionally, subject shares a cross-easement with a neighboring property.

Taxpayer also presented a fire assessment preformed by a third party. Both cabins on subject property were given high risk assessments due to the condition and other characteristics of the access roads including steepness. Appellant noted the fire risk assessment clearly supported the difficulty of access due to the topography and other situations with the road.

Appellant reported the buildable footprint on subject was small, causing both cabins to be built within 50 feet of the lake. A City of McCall ordinance prevents any cabins within 50 feet of the lake from being increased in size. So a new cabin must be built in the footprint of the original structures. To build a larger structure further back from the lake, it reportedly would cost approximately \$1,000,000 in excavation.

At hearing, it was questioned how the assessed value of the improvements increased in the corrected assessment notice. The first cabin is just over 3,000 square feet and over 30 years

old, while the guest cabin, which is newer, is only 1,300 square feet. Taxpayer does not believe the property could sell for the assessed \$3,000,000, due to the access and the fact that a potential buyer would want to tear down the existing cabins and rebuild, which would cost an estimated additional million dollars to build something newer and larger, when the cost of excavation is factored.

Appellant noted a property sale from Respondent's list of comparables. It was valued at approximately \$12,173 per front foot, or about \$2,000 less than subject. The property was 200 feet away from subject and had roughly the same frontage at 215 feet. The property sold within one month of the purported market peak. A second property with 210 front feet was noted to have sold just after the peak at \$11,422 per front foot. This property, also close in size to subject, had superior access.

Respondent described subject as having panoramic views of the mountains and lake together with a level to moderate slope. The shoreline had a sandy, naturally protected beach with concrete improvements. The County explained an original 3% time adjustment was in error and that the final assessment notice did not reflect that adjustment. Where subject was not considered a standard lot, +4% and -26% adjustments were applied. The BOE also gave a -5% adjustment for topography.

Taxpayer asserted there were no mountains visible from subject. Brundage Mountain was visible from the dock but not from the cabins. The only lake view was described as a small eastern portion. Appellant reported the sandy beach is only visible for about one (1) month a year due to the high waterline until the dam is opened and the water level drops. The other part of the beachfront is a concrete retaining wall to prevent the lake from eroding the lot. Subject was developed before the dam was raised, changing the high water mark.

The Assessor testified the main cabin, built in 1977, was remodeled in 1998. Appellant's representative stated there was only a partial remodel done involving the living room. The main cabin was rated a Class 6 in good condition. From the estimated cost new, 3% was allowed for depreciation. For 2007, this residence was assessed at \$490,920 (\$144.81 per square foot) including the decking. Two (2) utility sheds associated with this improvement were valued at \$4,160.

The second residence was substantially remodeled in 2002. It was rated in average condition and valued at \$172,260 including the decking. There was also a small shed and boat dock associated with this improvement valued at \$18,400.

The County presented a spreadsheet of ten (10) Payette Lake property sales from 2005 and 2006. The prices less improvement values ranged from \$1,061,610 to \$2,639,460. The indicated prices per front foot ranged from \$11,077 to \$27,501. These properties ranged in lake frontage from 56 to 217 feet. The Assessor determined a base rate of \$20,029 per front foot for a standard lot. From the base rate, adjustments were made to most properties on the lake including the subject site. No time adjustment was applied to these sale prices.

Respondent also presented a spreadsheet of 11 good-condition improvement sales to compare with their assessed values. The sale properties ranged in price from \$375,000 to \$2,500,000. The total assessed values were compared to the sale prices to indicate an average assessment ratio of 85% (under-assessed). These improvement comparables were not lakefront properties.

CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of fair market value. This Board, giving full opportunity for all arguments

and having considered all testimony and documentary evidence submitted by the parties in support of their respective positions, hereby enters the following.

The issue on appeal is subject's market value as of January 1, 2007. Idaho Code § 63-205(1). Market value is defined for assessment purposes in Section 63-201(10), I.C. For older residential property like subject, the best evidence of market value is often presented by a consideration of the sales comparison approach to value. Neither party presented such evidence in connection with the full property.

The County did consider a comparison of sales in regard to the disputed land value. A relatively large number of sales were considered that included some large frontage properties. Appellant took issue with the improvement values abstracted as part of the land value methodology. The new improvement values, i.e. the "corrected" analysis, was not demonstrated to present more accurate estimates of total property value. The Board did not find Appellant's value modeling preferable to the original analysis completed by the Assessor.

Subject however is found to be relatively unique even among the disparate population of lakefront properties. A challenging valuation problem is presented. No sales in the record were at the price levels suggested by the subject assessment. Appellant's recalculations aside, the only sales in the record were those originally discovered and presented by the County. The one large frontage sale close to and similar in size to subject was at \$12,173 per front foot using the County abstraction. The assessment ratio for this large frontage sale indicated a considerable over-assessment, which was not explained.

The Board must rule on the record before it. We note subject's frontage was relatively large like the sale just discussed, and from the record, subject's access was more challenged. There were certainly topography related challenges to using and developing the subject site.

In conclusion, the Board finds the value evidence demonstrates subject was over-assessed. Appellant has not provided proof where the cost new or depreciation estimates for the improvements were incorrect. But the Board finds the evidence does not support subject's assessed land value. Subject was not a standard lot. Subject was at the far end of the sales spectrum in regard to its large frontage. Proper consideration of this together with subject's specific property characteristics is found to warrant a reduction.

The County land value was \$14,643 per front foot for subject's 216 feet. Certainly it was a challenging valuation problem. Unfortunately, neither party was able to present a focused sales comparison approach on the total property unit. The information in record is large but also limited. On the question of the contributory land value, the best – but not only – evidence of value was found to be the mid-2006 sale of 217 front feet at \$12,173. The County presented little to no support of the basis for adjustments made to a standard 100 front foot site and in particular for the adjustments made to subject. Given subject contains two (2) residences, and giving some consideration to the other lakefront sales which generally indicated much higher frontage rates, the Board determines the subject site should be valued at no more than \$13,000 per front foot.

For the reasons expressed above, the decision of the Valley County BOE will be modified to reflect a decrease in land value slightly rounded from that indicated above.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Valley County Board of Equalization concerning the subject parcel be, and the same hereby is, modified to reflect a decrease in land value to \$2,800,000. There is no change to the improvements' values.

IT IS FURTHER ORDERED that any taxes which have been paid in excess of those

determined to have been due be refunded or applied against other *ad valorem* taxes due from Appellant.

MAILED MAY 1, 2008